

## Message Text

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PAGE 01 PRAGUE 02007 221216Z

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 EB-07 TRSE-00 OPIC-03 AID-05 AGRE-00 /074 W

-----034749 221732Z /43

R 221144Z JUL 77

FM AMEMBASSY PRAGUE

TO SECSTATE WASHDC 3219

INFO USDOC WASHDC

AMEMBASSY BERLIN

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY MOSCOW

AMEMBASSY SOFIA

USMISSION NATO

AMCONSUL MUNICH

AMEMBASSY WARSAW

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E.O. 11652; NA

TAGS/ EALR, ECON, PINT, CZ

SUBJECT: CZECHOSLOVAK PRICE RISE RUMORED

1. RUMORS ARE RAMPANT IN PRAGUE THAT PRICE RISES ON MANY PRODUCTS ARE IMMINENT. WHETHER TRUE OR NOT THE RUMORS HAVE SPARKED A BUYING SPREE OF, AMONG OTHER THINGS, COFFEE, CHOCOLATE AND SUGAR, CREATING LONG LINES OF WOULD-BE HOARDERS.

2. THESE RUMORS HAVE BEEN IN THE AIR FOR SOME TIME BUT HAVE GAINED INTENSITY DURING THE PAST TWO WEEKS. THE PRICE OF THE RENAULT 5, ONE OF FOUR WESTERN MODELS SOLD HERE, HAS ALREADY BEEN INCREASED FROM 71,000 KCZ TO 96,000 KCS.

THE SALE OF OTHER WESTERN MODELS HAS REPORTEDLY BEEN HALTED IN ANTICIPATION OF NEW PRICES, WHICH ARE RUMORED TO INCLUDE

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PAGE 02 PRAGUE 02007 221216Z

CEMA-PRODUCED AUTOS AS WELL. THESE PRICE CHANGES ARE LARGELY MOTIVATED BY GOVERNMENT CONCERN OVER THE SLOWNESS OF NEW CZECH-BUILT SKODA SALES.

3. GASOLINE, NOW PRICED AT 5KCS PER LITER, IS RUMORED AS GOING UP TO 10 KCS, BUT 7 KCS SEEMS MORE LIKELY.

OTHER ITEMS ON THE RUMOR LIST ARE: VIRTUALLY ALL

PRODUCTS IMPORTED FROM WEST, TEXTILES, CERTAIN SERVICES SUCH AS THOSE PROVIDED BY TAILORS AND HAIRDRESSERS, AND SPARTA CIGARETTES (MOST PRULAR LOCALLY-PRODUCED CIGARETTE WHICH USES 80-90 PERCENT AMERICAN TOBACCO).

4. TALES OF THE TIMING OF THESE INCREASES VARY BUT IF TRUE, AN ANNOUNCEMENT COULD COME AS EARLY AS EVENING OF JULY 22. THERE IS ALSO SPECULATION THAT SATURDAY'S PAPER S(JULY 23) WILL CARRY THE ANNOUNCEMENT AND THAT JULY 25 WILL BE THE EFFECTIVE DATE.

5. JULY 22 RUDE PRAVO LENDS OFFICIAL CONFIRMATION TO RUMORS, WITHOUT EXPLICITLY LISTING NEW PRICES, BY RESTATING IN AN EDITORIAL THE FAMILIAR ARGUMENT THAT CZECHOSLOVAKIA IS A PROCESSING COUNTRY WHICH MUST IMPORT RAW MATERIALS FROM INFLATION-RIDDEN WEST AND THAT INTEREST OF SOCIETY AS A WHOLE REQUIRES RISES IN PRICES OF "NON-ESSENTIAL GOODS" WHILE BASIC FOODSTUFFS ARE STILL SUBSIDIZED.

6. COMMENT: GIVEN THE STRESS WHICH GOC HAS PLACED ON CONTRAST BETWEEN WESTERN INFLATION AND STEADINESS OF PRICES IN CSSR, CURRENT READJUSTMENT WILL NOT REDOUND TO GOVERNMENT'S CREDIT IN EYES OF CZECHOSLOVAK CONSUMER. ON THE OTHER HAND, FOREIGN OBSERVERS AND CZECHOSLOVAKS THEMSELVES HAVE BEEN EXPECTING THE RISES FOR SOME TIME, SO THEY WILL COME AS NO SURPRISE. THERE IS VIRTUALLY NO LIKELIHOOD THAT PLANNED RISES WILL CAUSE ANY LIMITED OFFICIAL USE

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PAGE 03 PRAGUE 02007 221216Z

OUTBREAK OF PUBLIC DISSATISFACTION MORE PRONOUNCED THAN GRUMBLING. ANNOUNCEMENT MAY HAVE BEEN TIMED IN PART TO COINCIDE WITH PRESIDENT HUSAK'S ABSENCE ON VACATION IN THE USSR; IF SO, VERY FACT THAT HUSAK IS ABSENT WOULD SEEM TO INDICATE THAT HE, FOR ONE, IS NOT WORRIED ABOUT POLITICAL INSTABILITY. FROWICK

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NNN

## Message Attributes

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**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Decaption Date:** 01-Jan-1960 12:00:00 am  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
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**Disposition Remarks:**  
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**Enclosure:** n/a  
**Executive Order:** N/A  
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**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Previous Handling Restrictions:** n/a  
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**TAGS:** EALR, ECON, PINT, CZ  
**To:** STATE  
**Type:** TE  
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**Review Markings:**  
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